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**UNITED STATES REQUESTS WTO DISPUTE SETTLEMENT
CONSULTATIONS WITH INDIA REGARDING INDIA'S BALANCE
OF PAYMENTS RESTRICTIONS**

The United States requested today WTO dispute settlement consultations with India to address U.S. concerns regarding the phase-out of Indian quantitative restrictions on more than 2700 consumer and agricultural products.

"The United States is committed to seeing India prosper, but this can not be achieved if India continues to maintain a closed market," said Barshefsky. "We sincerely regret the inability of the Indian Government to propose a resolution satisfactory to its major trading partners during the WTO BOP Committee consultations June 30 to July 1. In view of these circumstances, the next logical step is to request WTO dispute settlement consultations."

WTO BOP provisions allow countries to temporarily impose measures that would normally be forbidden (i.e. import surcharges, quantitative restrictions) to respond to a legitimate balance of payments crisis. India has maintained import restrictions imposed on BOP grounds for decades. However, under current circumstances, India no longer meets WTO criteria for use of WTO BOP provisions, thus the measures currently in place are no longer justified.

Over the last two years, the United States and other WTO Members have sought to reach agreement with India on the phase-out of these measures within a reasonably short period, both bilaterally and in the WTO BOP Committee. On July 1, the BOP Committee concluded that there was no consensus on an appropriate phase-out plan.

The dispute settlement consultations requested today -- which are aimed at reaching a mutually acceptable staged elimination of India's import restrictions -- will be conducted pursuant to Article XXII of GATT 1994 and Article 4 of the WTO Dispute Settlement Understanding (DSU). The United States expects other of its major trading partners to make similar requests of India for consultations under WTO dispute settlement provisions in coming days.

Under WTO dispute settlement rules a minimum of 60 days consultation period is required before the formal request for a panel may be made. The U.S. hopes to use this consultation period to encourage India to put forward an acceptable phase out plan.

Both the World Bank and the IMF have pointed out that Indian economic reforms require, in part, rapid elimination of remaining quantitative restrictions to succeed. Many other countries (e.g., Philippines, Egypt, Turkey, Hungary, Poland, Brazil, Columbia, Argentina and South Africa) have in the recent past ceased use of the WTO BOP exception and eliminated their import restrictions fairly quickly once they no longer had a BOP problem.